

Message Text

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21

ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 COME-00

OPIC-12 XMB-07 PA-04 PRS-01 CIAE-00 INR-11 NSAE-00

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 8700

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E.O.11652: NA

TAGS: ECRE EWWT EAID EG

SUBJECT: SUEZ CANAL DREDGING: C.F. BEAN COMPANY

REF: CAIRO 6432

1. REPRESENTATIVES OF THE C.F. BEAN COMPANY, ACCOMPANIED BY OFFICIALS OF THE T.L. JAMES COMPANY, WHICH IS CONSIDERING TAKING PART IN THE DREDGING OPERATIONS, HAVE HAD TWO MEETINGS WITH US TO REPORT ON THE STATUS OF THEIR EFFORTS TO SECURE A CONTRACT FOR THE DEEPENING OF THE SUEZ CANAL. AS REPORTED REFTEL AND PREVIOUS, THE PRINCIPAL OBSTACLE IS THE LOWER PRICE AND SUPERIOR TERMS REPORTEDLY OFFERED BY THE JAPANESE COMPETITORS.

2. OUR OVERALL IMPRESSION IS THAT THE AMERICANS ARE BECOMING SOMEWHAT DISCOURAGED BY THE EGYPTIAN INSISTENCE THAT FURTHER REDUCTIONS BE MADE IN THE COST OF THE BID AND THAT SOME FORM OF FINANCING, EVEN IF ONLY TOKEN IN SIZE, BE FOUND IN THE U.S. WHILE THEY RECOGNIZE THE VALUE TO THE GOE SIDE OF "AUCTIONING" THE CONTRACT, THEY EVIDENTLY FEEL THAT IF MINOR REDUCTIONS CAN BE MADE IN THEIR OFFER - AND THEY ARE NOT SURE IT CAN BE DONE - THE
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RESULT IS MOST LIKELY TO BE ANOTHER ROUND WITH THE

JAPANESE, AD INFINITUM. NEVERTHELESS, IN ORDER TO MAKE THE BEST POSSIBLE EFFORT, BEAN AND COMPANY IS RETURNING TO THE US ON THE 31ST, TO MAKE ONE FINAL STUDY OF THE BID, TO SEE IF ANY FURTHER TRIMMING CAN BE MADE.

3. WE WERE TOLD THAT THE DIFFERENCE BETWEEN THE TOTAL US AND JAPANESE BIDS IS IN THE NEIGHBORHOOD OF \$2 MILLION, OR ABOUT 1 PERCENT. (OTHER ESTIMATES THAT HAVE BEEN MADE ARE PERHAPS RELATED TO DIFFERENCES IN FOREIGN EXCHANGE AND LOCAL CURRENCY PORTIONS OF THE TWO PROPOSALS). BEAN SEES LITTLE HOPE OF CUTTING THAT MUCH OFF THE BID, BUT SINCE THEY HAVE THE IMPRESSION THAT THE GOE WULD PERHAPS PREFER TO HAVE A US COMPANY, THEY WILL TRY TO MAKE ALL POSSIBLE REDUCTIONS.

4. THEY ALSO PLAN TO PAY ANOTHER VISIT TO EXIM, ON THE 3RD, TO SEE IF THERE IS ANY POSSIBILITY OF ASSISTANCE FROM THAT QUARTER. (ACCORDING TO BEAN, EXIM WAS POLITE, HUMOROUS AND QUITE DEFINITE IN THE EARLIER TURN-DOWN: EGYPT IS "NOT CREDITWORTHY"). THEY WONDER IF THIS HAS CHANGED FOLLOWING SECRETARY SIMON'S TRIP. THEY ARE ALSO GOING TO ATTEMPT TO HAVE A PORTION OF PROPOSED US ECONOMIC AID TO EGYPT SPECIFICALLY "EARMARKED" FOR USE BY BEAN IN CONNECTION WITH A DREDGING CONTRACT. ON SEPTEMBER 8, THEY WILL COME BACK TO EGYPT TO PRESENT THE PROPOSAL TO THE GOE ON THE 10TH. ONLY HALF IN JEST, THE BEAN PEOPLE AT ONE POINT SAID THEY MIGHT JUST SEND A LETTER RATHER THAN SUBMIT THE OFFER IN PERSON. WE URGED THEM NOT TO FOLLOW SUCH A COURSE IF THEY HAD ANY HOPE OR INTEREST IN SECURING THE CONTRACT.

5. BEAN TOLD THE GOE THEY HAD BEEN ADVISED THAT THE OPIC BOARD HAS DECIDED TO PERMIT THE EXTENSION OF INSURANCE GUARANTEES PRIOR TO ITS NEXT MEETING IF SUCH AN ACTION WOULD BE OF IMPORTANCE IN THE GOE'S DECISION. WITH THE FURTHER DELAY THAT HAS NOW TAKEN PLACE, THIS ISSUE IS NO LONGER AS CRITICAL AS IT WAS.

6. COMMENT: THE EMBASSY BELIEVES THAT THE PARTICIPATION OF AN AMERICAN COMPANY IN THE DEEPENING OF THE CANAL IS LIMITED OFFICIAL USE

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DESIRABLE, BOTH AS A MEANS OF FURTHER STRENGTHENING US-EGYPTIAN RELATIONS AND TO ASSIST AMERICAN BUSINESS. IF FURTHER BELIEVES THAT EVERY REASONABLE EFFORT SHOULD BE MADE TO ASSIST IN THE ENDEAVOR, THOUGH WE DO NOT BELIEVE ANY AID FUNDS FOR EGYPT SHOULD BE "EARMARKED" FOR BEAN UNLESS GOE SPECIFICALLY AGREES THERETO. WE WOULD HOPE THAT IN THE LIGHT OF SECRETARY SIMON'S TALKS IN EGYPT, EXIM MAY WISH TO RECONSIDER HOW IT CAN PROVIDE

AT LEAST SOME ASSISTANCE TO THE BEAN EFFORT.

EILTS

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